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Directive 97-1: Employer Requirements for Filing 1996 Year-end Withholding Information

I. Directive Issue

Which employers must file annual Forms W-2 and income tax withholding reconciliation schedules with the Department?

Directive

Employers who have been filing paper annual copies of employee Forms W-2 and paper year-end reconciliation schedules are no longer required to file this year-end information. Employers who file annual Forms W-2 and reconciliation schedules on magnetic media must continue to file annual Forms W-2 and reconciliation information, using magnetic media.

III. Discussion

This Directive explains a change in Department policy concerning filing requirements for certain taxpayers providing year-end income tax withholding information to the Massachusetts Department of Revenue under M.G.L. c. 62B, § 2 and c. 62C, § 8. Effective for taxable year 1996 and thereafter, employers who file year-end income tax withholding information on paper copies of Forms W-2 and reconciliation schedules with the Department of Revenue are no longer required to file this year-end information. Employers who file annual Forms W-2 and reconciliation schedules on magnetic media must continue to file this income tax withholding information (in magnetic format) with the Department.

- Employers Filing Paper Year-end Tax Forms

Generally, employers with fewer than 250 employees in a calendar quarter, who are likely to be quarterly or monthly filers, have the option to file withholding reports with the Department of Revenue using either magnetic media or paper tax returns.

This Directive alters filing requirements only for those employers who file with the Massachusetts Department of Revenue year-end income tax withholding information on paper copies of employee Forms W-2 and paper year-end reconciliation schedules.

For taxable year 1996 and thereafter, those employers are no longer required to file with the Department of Revenue annual Forms W-2 and year-end reconciliation schedules. The Department is able to obtain the necessary annual information from the Internal Revenue Service.

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Employers Filing on Magnetic Media

Employers with over 250 employees who file Forms W-2 with the Internal Revenue Service (IRS) on magnetic media must also provide the Department with Forms W-2 on magnetic media. Internal Revenue Code s. 6011(e); G.L. c. 62E, § 2. Employers with fewer employees may choose to file on magnetic media at their option. The term "magnetic media" includes magnetic tape, diskette, cassette and other media specifically permitted under applicable federal regulations or procedures.

This Directive does not affect the filing requirements of employers who file year-end income tax withholding information with the Department of Revenue on magnetic media. Employers who file Forms W-2 on magnetic media must continue to file with the Department of Revenue Forms W-2 and annual reconciliation schedules on magnetic media. For taxable year 1996, Forms W-2 and reconciliation schedules for such employers must be filed on or before February 28, 1997.

Mitchell Adams
Commissioner of Revenue
January 15, 1997